



JOINTLY OWNED BY



EU EXIT COMMERCIAL IMPACT ASSESSMENT

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INTRODUCTION

Brexit could have serious implications for the supply of goods and services to councils

Depending on the nature of the Brexit deal agreed, issues such as the status of EU citizens and the nature of border checks could materially impact delivery and efficient functioning of the supply chain.

COMMERCIAL IMPACT ASSESSMENT TOOLKIT

To help councils prepare for Brexit



The toolkit will:

- **help assess** your contracts and procurement activity for the impact of Brexit
- **support you** in developing plans to mitigate areas of risk

The toolkit uses a phased approach to ensure you prioritise contracts that are most impacted.

This presentation sets out a **step-by-step** approach to delivering the Commercial Impact Assessment, building on best Government practice.



COMMERCIAL IMPACT ASSESSMENT - APPROACH

The Commercial Impact Assessment helps to identify the commercial impact of EU Exit on your council, taking both existing contracts and in-flight procurement into consideration. It then develops a comprehensive commercial plan to mitigate the impact.

Commercial Impact Analysis

Detailed analysis to identify and plan specific commercial activities, timelines and resource requirements for EU Exit impacted contracts

A

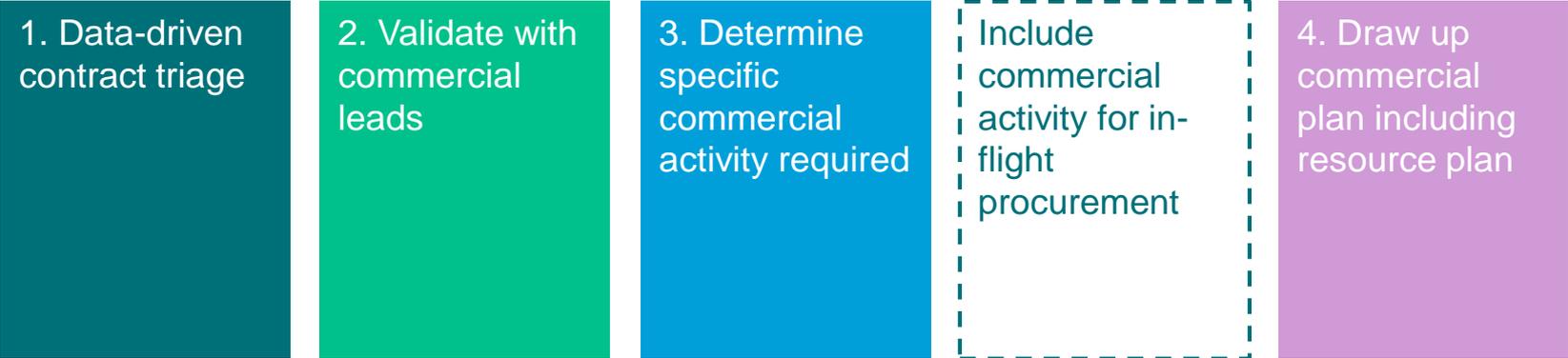
Commercial impact assessment on existing contracts (slide 6)

B

Analysis of impact on in-flight procurement (slide 8)



A: COMMERCIAL IMPACT ASSESSMENT ON EXISTING CONTRACTS





1. Data driven contract triage

Using a list of your contracts, the Brexit Scenarios (slide 10) and the Commercial Impact Ratings on (slide 11), complete an initial High/Medium/Low triage on all contracts (see Template 1)

2. Validate with commercial leads

Following the initial triage, engage with the relevant Commercial Leads and/or Contact Managers to validate the Commercial Impact Ratings

3. Determine specific commercial activity required

For contracts which have a “High” or “Medium” rating establish the specific commercial activity required, including a Commercial Activity Rating (see slide 12) and provide a timescale for the activity. Ensure nuances per contract are captured accurately (see Templates 3 and 4)

Include commercial activity for new procurement and in-flight procurement

Include the commercial activity relating to New Commercial Activity (B) and In-flight Procurements (C)

4. Draw up commercial plan including resource plan

Draw up a full commercial plan, including a resource plan, to set out all commercial activity across the organisation associated with EU Exit (see slide 11)



B: COMMERCIAL IMPACT ASSESSMENT – IN-FLIGHT PROCUREMENT

1. Data-driven contract triage

2. Validate with commercial leads

3. Determine specific commercial activity required

Include commercial activity for existing contracts



1. Data-driven contract triage

Using a list of contract data, the Brexit scenarios (slide 10) and the Commercial Impact Ratings (slide 11) complete an initial high/medium/low triage on all in-flight procurement contracts (see Template 1)

2. Validate with commercial leads

Following the initial triage, engage with the relevant Commercial Leads and Contract Managers to validate the Commercial Impact Ratings

3. Determine specific commercial activity required

For contracts that have a “high” or “medium” rating, establish the specific commercial approach and/or activity required, including a Commercial Activity Rating (see slide 12), and provide a timescale for the activity (see templates 3 and 4)

Include commercial activity for new procurement to A and B

Include the commercial activity relating to contacts (A) and New Commercial Activity (B) to establish a commercial plan



BREXIT SCENARIOS – COMMON ASSESSMENT ASSUMPTIONS

The scenarios are based on the two most likely EU Exit outcomes at the time of publication and are solely designed to aid planning on a constant basis

	“Negotiated agreement”	No Deal
Timelines	Leave EU on 29 March 2019 Implementation period until December 2020	Leave EU on 29 March 2019; no legal relationship with EU immediately after that date
EU Citizens	End of free movement by December 2020. Settled status beyond that for currently resident EU citizens (5 yrs+)	End of free movement by March 2019. Settled status beyond that for currently resident EU citizens (5 yrs+)
Tariffs	Free trade area of goods: no tariffs for goods trading within EU	WTO tariffs applied to EU goods
Border Checks	Facilitated customs arrangement: no customs checks and controls between the EU and UK	Customs checks and controls between the EU and UK
Grants	Existing EU grants to be made available until contract expiry. No new EU grants made available from 29 March 2019	EU grants withheld with immediate effect from 29 March 2019
Currency	Limited currency volatility in the period around 29 March 2019	Significant currency fluctuation in the period around 29 March 2019

COMMERCIAL IMPACT RATINGS

The Commercial Impact Ratings are used to assess the relative impact of EU Exit. They have been developed on the basis of key commercial factors.

	Low	Medium	High
Workforce	Small EU workforce involved in service delivery/supply chain	Medium EU workforce involved in service delivery/supply chain	Significant EU workforce involved in service delivery/supply chain
Tariffs	No tariffs will apply to the contract	Some tariffs will apply to the contract	Significant tariffs will apply to the contract
Supply Chain	Supply chain will not change	Minor changes to supply chain required	Material changes to supply chain required
Lead times	Lead times will not be impacted	Lead times will be impacted somewhat	Lead times will be significantly impacted
Contracts	No regulatory/operational/commercial changes to be reflected in the contract	Some regulatory/operational/commercial changes to be reflected in the contract	Significant regulatory/operational/commercial changes to be reflected in the contract
Grants	Contract not reliant on EU grants	Contract somewhat reliant on EU grants	Contract significantly reliant on EU grants
Currency	Contract not impacted by currency volatility	Contract somewhat impacted by currency volatility	Contract materially impacted by currency volatility

COMMERCIAL ACTIVITY RATING

The Commercial Activity Ratings are designed to assess degree of additional work required due to the commercial impact of EU Exit on the relevant contract.

	Low	Medium	High	Very High
Overview	A “re-papering” exercise. Small textual changes	Change is required but can be delivered within the existing framework/contract. Variation in volumetrics is small	Significant changes to contract but no change to requirements. Re-negotiation with the supplier required	Re-procurement for new requirements is required. This potentially includes termination

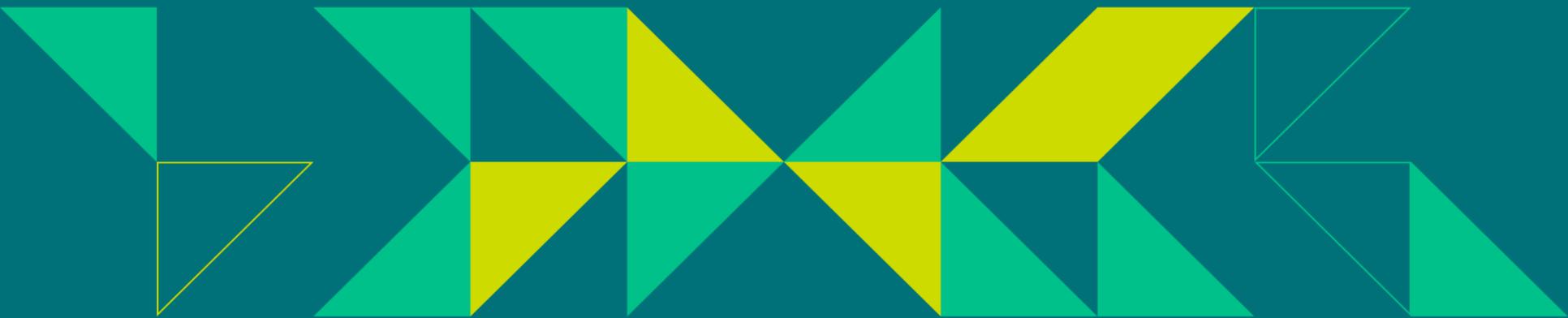




COMMERCIAL IMPACT ASSESSMENT – INDICATIVE CONTENT

	Suggested content
Summary Impact Assessment	<ul style="list-style-type: none"> • Provide a quantitative overview of impact, including the number of contracts impacted and total contract value by Impact Rating and by EU Exit Scenario • Summarise key issues arising from the impact assessment
Commercial Activity Plan	<ul style="list-style-type: none"> • For both EU Exit Scenarios, set out a comprehensive commercial activity plan organised in a logical manner, e.g. by key phase and by spend category or by priority • Include key milestones and establish responsibilities • Set out links between local and joint/regional/national approaches • List key assumptions underpinning the plan
Combined Resourcing Plan	<ul style="list-style-type: none"> • For both EU exit scenarios establish a detailed resourcing plan for EU Exit activity that is incremental to “business as usual” activity • Set out the amount of incremental resourcing required by month and the proposed sourcing approach

TEMPLATES





TEMPLATE 1 – A1/B1

A1/B1 – Data-driven contract triage

ID	Contract	Commercial Impact - Scenario 1	Commercial Impact - Scenario 2	Rationale for Impact Rating
[ID #]	[Contract Name]	[H/M/L]	[H/M/L]	

TEMPLATE 2 – A3/B3 (A)

A3/B3 (A) – Summarise contract and impact

Business Area	[Business Area]	Sub-Category	[Sub-Category of Business Area]
Contract Name	[Contract Name]	Service Provider	[Supplier Name]
End Date	[DD/MM/YY]	Total Contract Value	[£VALUE]
Points of Contact	[Names of Contract Managers / Commercial Leads]		
Summary of Services	[Explanation of the underlying services provided by the contract]		
Contract Detail	[Detail on the set-up of the contract i.e. extension options]		
EU Exit Commentary	[High level view on how the contract and underlying service may be affected by EU Exit]		



TEMPLATE 3 – A3/B3 (B)

A3/B3 (B) – Determine specific economic activity

	Scenario 1 – “Chequers”	Scenario 2 – No Deal
Commercial Activity Rating	[Commercial Activity Rating, as per slide 9]	[Commercial Activity Rating, as per slide 9]
Commercial Activity Required as a result of EU Exit	[Details on specific commercial activities that would be required in this scenario, including timelines]	[Details on specific commercial activities that would be required in this scenario, including timelines]
Additional commercial activity related to this contract	[Any additional points to note i.e. contract will be extended regardless of EU Exit]	[Any additional points to note i.e. contract will be extended regardless of EU Exit]

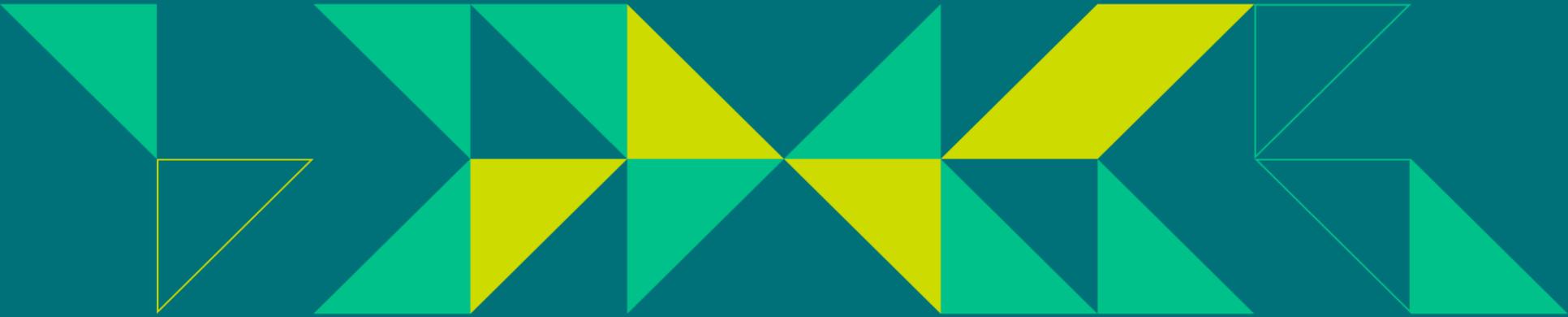


TEMPLATE 4

Commercial Impact Assessment – key content

	Suggested content
Summary Impact Assessment	<ul style="list-style-type: none">• Provide a quantitative overview of impact including the number of contracts impacted and total contract value by Impact Rating and by EU Exit Scenario• Summarise key issues arising from the impact assessment
Commercial Activity Plan	<ul style="list-style-type: none">• For both EU Exit Scenarios, set out a comprehensive commercial activity plan organised in a logical manner, e.g. by key phase and by spend category or by priority• Include key milestones and establish responsibilities• Set out links between local and joint/regional/national approaches• List key assumptions underpinning the plan
Combined Resourcing Plan	<ul style="list-style-type: none">• For both EU exit scenarios establish a detailed resourcing plan for EU Exit activity that is incremental to BAU activity• Set out the amount of incremental resourcing required by month and the proposed sourcing approach

ABOUT US



**LOCAL
PARTNERSHIPS**



ABOUT US

Local Partnerships is a joint venture between the Local Government Association, HM Treasury and Welsh Government

We provide trusted, professional support and advice across multiple disciplines including:



Housing and infrastructure



Waste



Efficiency and savings



Project management



Energy



Mergers and shared services



Integrating health and social care

WHAT WE DO

We bring public and private sector experience that provides confidence, additional capacity and commercial capability

Our team of experts works solely for the benefit of the public sector, helping councils and combined authorities overcome challenges and improve their chances of success

We were formed in 2009 to help the public sector deliver at the local level, supporting the delivery of investment in local infrastructure and services

Our experience of working with both national and local government gives our clients a unique insight into current best practice and market intelligence from around the UK, improving their chances of success

THANK YOU

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